

*Revised*  
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IP-322, Estimate of US aid required by Albania for one year in the event of a Soviet withdrawal.

Conclusion: Range: \$12,000,000 to \$16,000,000  
Best Estimate: \$15,000,000

I. Estimate of Current Soviet Aid to Albania.

It is fairly clear that, in the event of a severance of Albania from the Soviet Bloc, a responsibility for subsidizing the country would devolve upon the West, presumably upon the United States. Albania's entire history as an independent nation has been characterized by the most extreme poverty in Europe and by substantial deficits in its balance of payments. Prior to World War II, it received grants from Italy and since World War II, it has depended upon the countries of the Soviet Bloc for subsidies of consumption, for military aid and for investment. The Albanian government has claimed that 36.9 percent of its 1949 budget of 6,550,000,000 leks represented credits from other Bloc countries.<sup>1/</sup> In 1950 COMA granted Albania a long term credit of 400 million rubles, of which we estimate that more than three-fourths was earmarked for investment, probably including investment in military facilities.<sup>2/</sup> Current Bloc aid to Albania is variously estimated as high as 25 percent of the budget of some 10 billion leks. Such estimates are not particularly helpful on two grounds. First, the artificial value of the lek makes it almost impossible to convert them into meaningful dollar equivalents. Second, the current volume of Albanian imports simply does not justify an assumption of so high a percentage of foreign aid.

The nominal value of the lek has been 50 to the dollar, but recently, in order to establish a consistent cross rate with the ruble, which is valued at 9 lek, the Tirana central bank has offered only 37 lek to the dollar. This action certainly does not reflect an appreciation of the lek relative to the dollar, since even at the 50:1 rate the lek was generally considered overvalued by some 600 percent. OIR believes that the lek-dollar ratio is meaningful only for export and import transactions, for which the government appears to account by multiplying world market prices expressed in dollars by 37. If this ratio is meaningful, one estimate of current Bloc aid to Albania may be made from the 1952 budget on the basis of the expected import surplus. Imports for 1952 are expected to amount to 15 percent of the budget, or \$40,500,000, and exports to amount to about 60 percent of the imports, or \$24,300,000.<sup>3/</sup> The import surplus is \$16,200,000.

a. Imports.

On the basis of ORR estimates of Albanian exports and imports, this figure should represent a maximum estimate. ORR estimates the regular rate of

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grain imports at 18,000 metric tons, valued at \$1,800,000. Since 1952, is reported to be a poor year for Albanian agriculture, imports may amount to as much as 30,000 tons, valued at \$3,000,000. 4/ The other principal import for consumption, refined petroleum products, is estimated at 35,000 metric tons and value of \$1,490,000. 5/ The magnitude of other imports has never been specifically estimated.

b. Exports.

The principal Albanian exports are chromite, low grade crude oil, and bitumen. Chromite exports are estimated at 38,000 metric tons of value of \$1,330,000. Crude oil exports are estimated at 300,000 metric tons of value of \$3,750,000. 6/ Exports of bitumen, wines, cheeses, non-ferrous ores, and other known Albanian products have not been estimated. There is an implication that the lek is highly overvalued even in international computations. In this circumstance, assuming the ratio of imports to exports to be credible, the dollar magnitude of the import surplus is overstated. At the old rate of 50 lek to the dollar, the surplus would amount to \$12,000,000.

c. Investment.

Regardless of the exact amount of Soviet aid to Albania, it is apparent that it is devoted principally to investment and military assistance. We know relatively little of the exact nature of Albanian investment. The government has never made public the allocation of investment among various projects and it is not likely to do so. It is generally known that the top priority projects of the 1946-1951 plan period were the Durres-Tirana and Durres-Elbasan railroads, both of which are completed, the Stalin textile plant at Elbasan, which is completed, and the Lenin hydropower station at Tirana, which is believed to be still under construction. It is known that important investment is taking place in the textile industry, transportation, agriculture, and the extractive industries. 7/

d. Armament.

The Albanian armed forces are currently estimated to be an army of 45,000 men and an internal security force of 15,000 men. 8/ It is unlikely that armed forces of this size, some .5 percent of the population, plus an investment program stated to equal 39.5 percent of the 1952 budget, 9/ could be supported on a volume of aid less than \$12,000,000 per year.

II. Estimate of US Aid to Albania.

The principal problem for the United States relative to aid to Albania in the event of its separation from the Bloc will be decision upon the extent to which it is willing to continue the investment program and maintain the military establishment. On the basis of the estimated values of current imports, Albanian deficits in foodstuffs, textiles, petroleum products, and miscellaneous consumers' goods, if any, could be financed on an expenditure probably less than \$3,000,000. The United States might wish to provide higher standard of living than the USSR has provided, however.

a. Investment.

It is doubtful that the United States would consider any large part of Albania's current investment program expendable. Chromite, copper ore, and crude oil are materials of importance to the Western Defense effort, and the United States would almost certainly wish to participate in improving their extraction. Similarly, further electrification is highly desirable. Albania is reported to have only seven locomotives, insufficient to utilize its rail-ways effectively. 10/

b. Armament.

It is unlikely that the Albanian government would be willing to reduce the size of its army or its internal security force. The danger of Soviet aggression against the non-Soviet Balkan countries is immediate enough to preclude disarmament. In addition, both Yugoslavia and Greece have claims against Albanian territory and the Albanian government would probably be reluctant to depend upon United States' pressure to maintain its present boundaries.

c. Estimate of US Aid.

For one year after a Soviet withdrawal, our estimate is that United States aid to Albania, would be of about the same magnitude as present Soviet aid, an amount between \$12,000,000 and \$16,000,000. Our best estimate is \$15,000,000.

III. Long-Run Prospect.

In the long run, it is almost certain that the country would be better off as a member of the West. Its volume of private remittances from the United States would probably rise, and it might receive credits from Yugoslavia and Italy. Its principal exports would find an immediate market in the Western Defense program, and it would probably receive revenues from Western naval and air bases which might be established in the country.

Prior to World War II, Albania's trade was principally carried on with the West. It exported wine, dairy products, bitumen, and crude oil to Italy and other countries of Western Europe. Italian refineries were specially equipped to process the high-sulphur-content Albanian crude oil. Albania received a substantial revenue from tourists, most of whom were Italians. Albania, left to its own devices, would probably return to the close economic relations with Italy which were disrupted by World War II. The widening of markets available to Albania would doubtless reduce its need for aid over the period of several years, but the uncertainties of the political situation in Eastern Europe make prediction difficult over any long period.

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